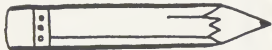


INSIGHT



Institute for
Applied Numismatics & Research

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EDITORIAL

We are discovering as we produce this newsletter and our Grading & Authentication Home Study Course that it is often very hard to meet the deadlines because every time we read some of our work, we find ourselves making changes to improve it. We are a stickler for detail and have been that way as long as we can remember. This is not the best trait to have as an editor because we can become so involved with details, such as how a sentence sounds or how to rewrite a thought so the right margin is in alignment, that we may temporarily lose sight of the overall mission of Insight on Coinage which is to challenge you to think about aspects of your hobby in different, often radical or critical ways.

On the other hand, being a "perfectionist" or a "detail-person" is one of the most important traits one should have to develop skills as an authenticator or grader. It's all how you look at coins. Our readers who find themselves looking at photos in Insight and wondering about other features or characteristics which we don't identify probably have what we call an "eye for detail". Those of you who noticed the "metal flow lines" running in a diagonal direction down from the top left corner in the photo of a carbon spot (on the last page of our June issue) have developed the detailed eye and inquisitive mind we seek to challenge!

Our eye for detail was one of the reasons we were able to detect an unnatural surface on the altered ancient coins we report on in this issue. Their microscopic detail was not right. Resolve to begin looking at coins more closely - it's fun.

TOO HOT TO HANDLE

Albert Daigle related his frustrating experience involving the coin grading services in a letter appearing in Numismatic News February 12, 1991. To test the concept of third-party grading, Mr. Daigle picked out the best silver Eagles from his stock of various dates and sent them off to be graded. They were returned graded from MS-63 to MS-66. Mr. Daigle contested the grading of his coins grading only MS-63 and sent them back to be reexamined. One of the MS-63's was regraded MS-65 while the other remained unchanged due to its toning!

While at a coin show, Mr. Daigle noticed MS-64 and MS-65 Morgan Dollars with "bag marks all over the place". Why were his flawless silver Eagles graded only MS-65? This question is not an easy one for the grading services to answer. The fact that it even needs to be asked, along with the 2-point change in grade, conveys a negative

message about the methods and criteria used to grade coins by third-party grading services and the expertise of their graders!

We don't have Mr. Daigle's silver Eagles to judge the results. We have never seen a silver Eagle either "raw" or encapsulated which didn't have frosty, full luster, full strike, and mark-free surfaces. In spite of this, the highest grade we have seen given these "perfect" pieces by slab services is MS-68. How can this happen? We feel it's due to errors that are built into the grading systems used by each third-party grading service.

Mr. Daigle asks if value enters into coin grading. Of course it does, especially with the "market-grading", "commercial-grading", or the "real-world" approach taken by various services. Coins are not graded by the same standards or even from the same starting point to determine wear! Add to this, an ever changing staff of graders trying to separate a group of virtually perfect coins into categories from 65 to 68, and you have an impossible task using present technology.

The proof of this statement is at any major coin show. Find a group of Proof Franklin half dollars or common date Mint State Mercury dimes in grades from 64 to 67. Try to find an experienced coin dealer who can tell them apart, especially in the higher grades. Add the cameo designation and the fun begins!

We share Mr. Daigle's frustration; and were sorry to read that the owners of the two major grading services both gave up positions as grading finalizers for their organizations. They would have been best qualified to answer the questions raised by Mr. Daigle.

Graders are afraid to make use of the entire 65 to 70 range. Most silver Eagles belong in the 68 to 70 grades. A computer based grading system could help solve this problem, because the computer could identify the coins once they were graded; but the people guiding the computer programmers are the same ones who developed the flawed, low-end skewed systems now in use.

Perhaps in the future when a computer "understands" what a bagmark is and what "original Mint luster" looks like, we'll be able to put any coin from any country under its scanners without the bias programed into its memory. We will then be able to use the full MS grading range without regard to value or coin type. That will help remove many of the inconsistencies in coin grading and people like Mr. Daigle and myself will be happy.

The photo on the right shows the obverse of a typical silver Eagle produced in "gem" or better condition by the U.S. Mint!



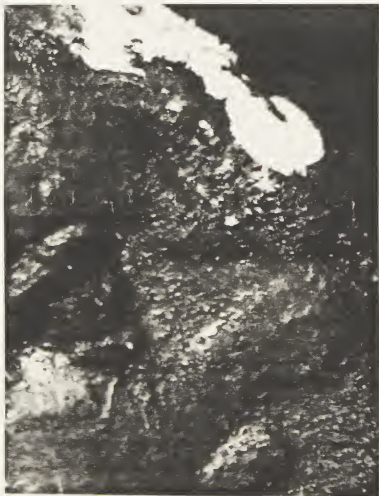
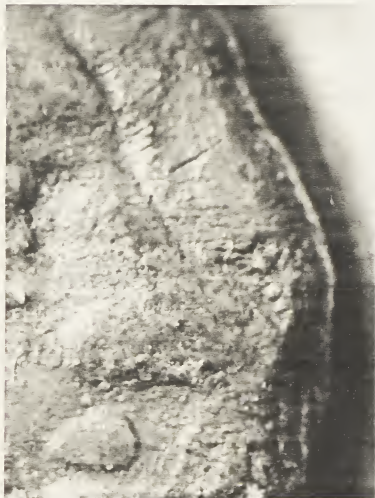
MICROSCOPICALLY SPEAKING

Last month we alerted collectors and dealers of the existence of a new form of alteration we recently discovered on two ancient bronze coins. A first page story by Alan Herbert appeared in World Coin News. At the time of our press release, we were not able to supply photographs but promised to furnish them as soon as possible.

The material used to alter both coins was similar, but in each case a different modification was performed. A Roman Republic bronze sextan with obverse head of Mercury right and reverse with the prow of a galley and legend ROMA above had a large planchet flaw, resembling a pie slice, filled in to give the coin an attractive, round, defect-free planchet. Since ancient coins are graded by the centering of the design and quality of the planchet in addition to the amount of wear they have, the alteration was done to increase the grade and value of the coin. The other coin, a Siculo-Punic 16 millimeter bronze, had its surface, which was chipped away (ruining its appearance), replaced by a non-metallic/non-oxide filling which was colored to match the natural patina of the original coin.

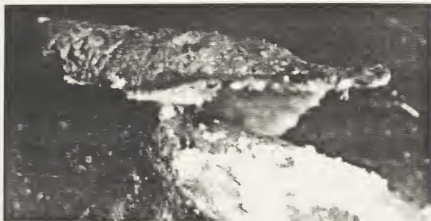
Both coins showed brush-type marks in the altered surface which ran in the direction of the natural metal flow. The alterations were made with a whitish, plaster-like substance which is visible once the fake patina is removed. The alteration looks similar to the plated-type of ancient counterfeits (fouree) except with a bone-white powder center.

The photographs below show one edge of the altered Roman coin as it appeared under 20X magnification (left); and the same area (right), once the alteration was discovered and removed. The photo on the next page shows a curved portion of fake patina partly removed from the edge.



Once these coins pass the scrutiny of any of the grading services which decided to slab ancient coins, they would defy detection in later years; and be traded as genuine. A similar fate is in store for collectors of Colonial coins.

We have seen too many excellent electrotypes of these coins which in some cases have passed through auctions and collections developing a favorable pedigree to put our trust in the "Ex-Perts" working for the slab services. Everyone makes mistakes. Remember our story of the 1959 Transitional coin? The best safeguard against this type of error is to have coins in a state that allows for re-examination at another time. Once a coin is in a sealed container, no one can check its edge for damage or signs of alteration. A specific gravity test to detect an electrotpe would be out of the question. We'll have an interesting article dealing with such a surprise later!



ADVICE AND DISSENT

(Continued from June) During the transitional years before the coin hobby evolved into a coin industry, more emphasis was placed on the authenticity of a coin than on its grade. Even after the first two major authentication services began to grade coins "officially" for the public - it was considered an "extra" low-cost option and authentication of the coin was required before the grading option could be requested. For coins which were determined to be counterfeit or altered, the grading fee was refunded.

Not much planning went into the first grading service, INS. As soon as it became evident that the ANA was going ahead with its plans for a grading service (by developing a set of grading standards to be published as The Official Guide to Grading of U.S. Coins), we printed our grading certificate and began releasing our "technical", for identification and internal records, grades to the public (for free!). We used our Modified-Sheldon system developed years earlier.

Several months later the ANA would issue its first grading opinion through ANACS. There was another very big difference. The ANACS grades were stated on the certificate of authenticity. As a result, if a dealer or collector didn't agree with the grade he* had several options:

- 1) He could return the coin for review (least often done).
- 2) He could throw out the certificate (often done).
- 3) He could keep the certificate and bad-mouth ANACS, the ANACS graders, or the ANA grading system (usually done).

* Attention ladies, we're from the old school and our pronouns are used collectively to refer to both sexes of dealers and collectors.

Getting a start in detecting counterfeits

Editor's note: This is the first installment in a new column on counterfeit detection.

Although it seems counterfeit detection has taken a back seat to coin grading over the past several years, I look forward to a long-running relationship with readers of *Numismatic News*.

By way of introduction, I have been professionally involved with coin

definition above that similar objects are compared. We do this by memory or by using actual comparison specimens. It should be obvious that items used for comparison should be genuine.

It's for this reason that among several important prerequisites for authentication, the most important is to know what a genuine piece should look like for the particular series you are working with in any field of numismatics.

Often, knowing what a genuine coin looks like is not as easy as it sounds. Realistically, as Americans, the coins of our own country become familiar to us by close association over time; but when we examine a German coin that is absolutely genuine, often our lack of familiarity with this country's coinage may cause undue caution.

Study of a series, in this case German coins, will bring much of the familiarity necessary for authentication.

One important consideration for locating the first ANA Certification Service in Washington, D.C., was to give the staff authenticators access to the National Numismatic Collection at the Smithsonian Institution and also the fine numismatic cabinet of the American Numismatic Society in New York. Both collections have large holdings of foreign coins, which allowed for our direct comparison of unfamiliar coins.

Still, you must guard against complacency when performing authentications because, as hard as you strive for knowledge and familiarity of a particular country or series, the expertise you gain can set you up for costly errors.

As a case in point, I recall a 1915-S Panama-Pacific gold \$50 coin graded very fine as a result of being carried as a lucky piece. It was the first time I ever viewed this type of coin while using a stereo microscope, and in my opinion, the coin looked cast.

The surfaces were wavy, and the letters and design were mushy looking and in low relief. Imagine my surprise when I compared this awful-looking coin to an uncirculated genuine example and determined it was genuine since they both had the same characteristics.

Further study on my part revealed that these large coins had to be struck on the huge hydraulic press used to make medals at the Mint, and their design was intentionally in low relief with a wavy surface texture.

**F. MICHAEL
FAZZARI**



authentication since 1972 when I was fortunate to be employed by the American Numismatic Association while the ANA Certification Service was located in Washington, D.C. After ANACS was moved to Colorado in 1976, I became the head of the International Numismatic Society Authentication Bureau laboratory.

I'll ask readers to write to me directly at the Institute for Applied Numismatics and Research, P.O. Box 65494, Washington, DC 20035, or c/o *Numismatic News* if they have any questions or comments about this column or subjects they wish me to write about.

Let's begin:

Since this column will be dealing mostly with topics related to coin authentication, it might be a good idea to define our subject in general terms. One definition I've used in the past is, "an analysis of the physical characteristics of an object in order to determine if they are consistent with quantitative and qualitative properties of other similar objects."

Of course, this definition is not something readers need to memorize; all of you can think of an equally useful definition. In fact, I would be very pleased if you would write me to share your definition of authentication so together we can develop a really good definition.

When we apply this definition to coin authentication, some of the physical properties we use include color, weight, size, metallic content, country of origin, and style. The style of a coin would be considered a qualitative factor; its weight is a quantitative measure.

You may also notice in the general

Although we used Brown & Dunn, Photograde, and the ANA Grading Guide (when it became available), our grading was based on the stricter standards of "implied luster" found in Sheldon. INS grading was used to identify and describe a coin (technical), not value it (See June Insight) so our grading very often had no relation to the commercial value of the coin. In addition, our Director realized that grading was only an unbiased third-party opinion, not something etched into stone. Perhaps, on a more realistic level, he also remembered the threat of being sued into oblivion. Whatever the reason, we provided our grade opinions separately from the photo-certificate of authenticity.

Dealers and collectors who disagreed with the grade had the same options as they did with ANACS. Except, when they trashed our grading certificate, they still had the INS authentication certificate.

For several years, these two grading and authentication services were the watchdogs of the hobby. Realistically, both services were much stricter than most dealers, because they were not involved in the retail side of the coin business. Usually, ANACS was the least strict of the two and because it was an arm of the largest National Association of coin collectors and had built a solid reputation for collector service, it received the bulk of the authentication and grading business. Most dealers who tried both services switched to ANACS. One major flaw began to erode the ANACS mystique. Numerous young collectors used it as a training school for professional authenticators and graders. As a result, as soon as the staff reached the competency level of the staff at the old Washington, DC offices, someone would jump ship to begin a rosy career as a professional coin dealer. This and other reasons caused many periods of instability and philosophical grading turmoil which eventually boiled over into the dealer backlash against fluctuating standards. This set the stage for the fox-in-the-chicken-coop-era of coin grading!

Who can blame the dealers. They wanted a level playing field where standards were not in a constant state of flux. One grading service, INS, was using much too strict technical standards that had no relation to the commercial value of their coins. As a result, a majority of "commercially acceptable Uncirculated" coins were correctly being graded as AU by the strict definition of Uncirculated. It didn't matter to dealers that our standards were constant, we were unrealistic! An alternative was ANACS which was having growing pains. When dealers, who were upset with ANACS grading would contact us, soon after their first submission, they would decide it was better wondering what mint state grade they would receive from ANACS rather than how low in the AU range we would rate their gem!

During the mid-80's, at a Grading Roundtable in Washington, DC, when ANACS grading practices were coming under increased attack from the dealer community, we spoke up for the ANACS graders because in most of the instances when we had observed a conflict between the ANACS grade and the commercial grade - ANACS was the more accurate opinion! Again, many of these conflicts came about because ANACS was more strict about the AU/Unc boundary than dealers. Let's make another point here. For about the last two years, before ANACS was sold and the authentication and grading team was broken-up, they were producing a fine product with a good degree of consistency. Their grading was equal to any of the other commercial services.

Most dealers were clearly unhappy with technical grading. They would howl when their high eye appeal super-sliders and cleaned coins which they had bought as mint state were downgraded to AU! In other cases, they refused to accept grading certificates which stated their

coin was "hairlined" (cleaned) or had "very slight rub". On the other hand, these same dealers did not mind when their Choice Uncirculated MS-63 (today's weakly struck, fully lusterous, virtually mark-free coin) would be up-graded to a technical MS-65 since strike was not considered. It allowed them to sell coins described as MS-65, WEAK STRIKE (which they purchased at MS-63 wholesale) at the same price as MS-65. As soon as we realized this was going on we printed a warning that, "Commercially priced MS-65 coins must be fully struck".

There were some dealers who learned to live with technical grading and even twist it to their own profit. Within a short time, technical grading became the enemy of the "numismatically ignorant" as telemarketers, operating out of "boiler-rooms", used it to help defraud their clients. All MS-65's are not equal; but the differences between commercial and technical grading made the difference even larger. We'll write a story about our experiences inside several boiler-room operations in a future newsletter.

Coin grading was in chaos even among the grading services. There was no agreement as to standards of grading, lighting, or magnification. The now famous Central States Numismatic Society's evaluation of several grading services, which we've explained before in past newsletters, made the point that change was needed. Although many of the coins were graded within the ANA tolerance of honest differences of opinion, one coin in particular ranged from AU to MS-65 according to the experts. This showed the large difference in grade a coin could have (technical/commercial) yet still be worth exactly the same amount of money!

Now, THINK ABOUT THIS. There were grading standards in the industry! The ANA had published them before it started to grade collector coins. The standards were not perfect; but, if all numismatists would have followed them or worked within the system to improve them, there would have been many fewer problems and less disagreement. Instead, within a short time of publication, dealers were adding in-between grades such as MS-64 to the Uncirculated range to squeeze out every bit of value into a coin. Dealers also insisted on taking the strike of a coin into consideration because it affected the value of a coin and its commercial grade. Dealers wanted to take the responsibility of grading coins for the public out of the hands of non-dealer third-party grading services and questioned the credentials (often with good reason) of some graders.

It didn't take long for some dealers to realize that there was the potential of big money to be made by grading coins. In fact, one major dealership had already established a commercial, "real-world" grading service (NCI) which had taken a major slice out of the authentication and grading market of the two other major independent grading services which used or claimed to use technical grading.

Soon, a major revolution in how coins were graded and sold was in the works. Any dealer-backed grading service would take a great deal of planning. It would enter a market in which its major competition was run by the national organization; but if a way could be found to improve the product and credibility of coin certification over the existing groups who were at odds, in addition to money, they would be able to set the industry standards and control the market. What more could a businessman want?

For many months leading up to the 1986 establishment of the first truly, multi-dealer backed, third-party commercial grading service, PCGS, watchful collectors could see small groups of dealers huddled together in furtive conversation at the major coin shows. These groups would become strangely quite as anyone such as this author approached. The secretive

looks as everyone would glance up, accompanied by a body language which spelled-out UNWELCOME, could only mean something important was in the air. We even remember seeing the director of ANACS, who later went to work for PCGS at one of these meetings with dealers who would play an important part in the new dealer-run grading service. There was only one big problem with all this planning: MOST COIN DEALERS CANNOT GRADE! This is a simplistic generalization to make readers understand that many coin dealers don't look at coins as critically as a knowledgeable numismatist preparing to make a purchase. It's not economically viable, grades weren't as important in the past, etc. As a result, a majority of the successful dealers are often able to VALUE & PRICE COINS compatibly with their peers; but this isn't the same as technical grading which seeks to fully describe a coin's condition. We must say often because, as you will learn in a future article when we'll examine the testimony of coin dealers in an FTC coin grading case, major dealer Ex-Perts could not agree on the grade or value of generic coins.

Anyway, this new dealer-backed grading service was run by dealers who also used dealers to grade the coins, verify their grades, submit the coins for grading, and sell the coins to collectors. That's why we liked to call it the fox-in-the-chicken-coop era! One big happy family except for the fact that - M.C.D.C.G. (see above). Let me caution readers that you never repeat this statement within ear-shot of a coin dealer. It's like telling a man that he cannot drive a car. You'll be questioning his manhood. Recently, all of the major grading services have not allowed any graders to be coin dealers.

While the Professional Coin Grading Service (PCGS) was not the first third-party grading service with a dealer network and a slab product, they had the best dealers, a good product, and the most accepted standards among dealers (because that's what the dealers agreed on, to accept the standards). PCGS rapidly took over almost the entire share of the market. Telemarketers and those legitimate wholesale companies who served them kept the second and third-tier grading services in business as there was little profit dealing with PCGS certified coins. Because of their innovative product, PCGS and a spin-off company, the Numismatic Guarantee Corporation (NGC) forced other grading services to drop technical grading, adopt their standards and play catch-up or go out of business. Even ANACS changed its modified commercial system to a fully commercial, eleven point system used for its new Cache". Eventually, many grading services went out of business and ANACS was also broken-up so the grading service could be sold rather than compete.

The only truly technical grading service left was INS, which used archival standards until January 1990 when it was forced to switch to the commercial system also. Technical grading is no longer practiced at any of the grading services in spite of what you may read! Coin grading has evolved into a shorthand for a coin's value rather than a description of its condition.

Now, if everyone could agree to use the same standards... Dream on.

NOTE: Recently there have been several Letters to the Editor in Coin World and Numismatic News about technical versus commercial coin grading. The content of the letters proves that most collectors still do not understand the difference so next month, in what we hope will be the final installment of this feature, we'll publish a chart comparing the two systems and show why technical grading still has an important place in numismatics.

BOOS AND GEMS

As I write this on a napkin, I'm in Rhode Island getting ready to enjoy a lobster dinner to celebrate the completion of a very successful coin grading seminar held at Roger Williams College in Bristol. I've heard two words used tonight which may relate to numismatics, "cull" and "select". Select is a fairly modern addition to our grading vocabulary and is used to describe a grade of uncirculated. Cull is a much older term. A lobster with only one claw is called a cull and is sold for a cheaper price per pound. In numismatics, a cull is an extremely worn or damaged coin! Both these usages are very old, so it's interesting to speculate that we got our numismatic usage from New England lobstermen!

BOOK REVIEW

We just finished reading Don Pearlman's new book. Before we got into the literary end of this hobby, we read so-and-so say how great he thought so-and-so's new book was and vice versa. Just like one big club. Not so! Most of the "so-and-so's", in this case Don Pearlman, do write easy reading, entertaining, books! We took this one to read at the pool and forgot about swimming and the sun - ouch!

Best Buys in Rare Coins is basically a survey of what a group of coin experts recommends people buy. It's not so much specific picks as it covers most areas of numismatics. The most worthwhile parts of the book are the in-depth tips for specific series such as judging the proof-like surface on dollars, mint red on copper, full-head on quarters, etc.; AND Mr. Pearlman's humor. A close second are the thumb-nail stories about the history of the coins. The book makes coins fun. The best chapters are those which contain Pearlman's comments. He provides one complete "tongue in cheek" chapter on value for his fans. Finally, a chapter on numismatic books and resources provides readers with further reading.

While this book seems to be written for new collectors, our pen was kept busy making notes of new things we learned. Try it, you'll like it!

COMING UP

The seminar in RI was a success. The facilities were wonderful for teaching; we plan to return to Bristol in October for an Advanced Grading Seminar. We expect a number of students from the class to continue their studies. Students in the Advanced Course must have completed either an ANA, or NINA grading seminar. Our next seminar will be held August 24, 25 in Fair Lawn, NJ. Call (800) 666-2646 for details.

Our next issue promises to be a keeper but it will come out near the end of the month because of our busy seminar schedule and the BIG ANA convention. We plan another block-buster expose on the workings inside a coin "boiler-room". Also we will show first-time photographs of another unlisted overdate in the Mercury Dime series! Start Looking.

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